

**WAVERLY-SHELL ROCK
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2008

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WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2007 Election)

Dale Emmert	President	2007
Cheryl Elsbury-Reiher	Vice President	2009
David Sage		2008
Nancy Luebbers		2009
Dennis Epley		2008

(After September, 2007 Election)

Dale Emmert	President (Resigned June 2008)	
Cheryl Elsbury-Reiher	Vice President	2009
David Sage		2008
Nancy Luebbers		2009
Dennis Epley		2008

School Officials

Jere Vyverberg	Superintendent
Dennis Stufflebeam	District Secretary
Linda Hildreth	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Waverly-Shell Rock Community School District:

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Waverly-Shell Rock Community School District, Waverly, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

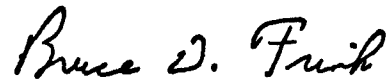
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Waverly-Shell Rock Community School District at June 30, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2009 on our consideration of Waverly-Shell Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waverly-Shell Rock Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bruce D. Frink
Certified Public Accountant

March 25, 2009

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Waverly-Shell Rock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The City of Waverly experienced a major flood on June 12, 2008. The old sunken gym at the junior high was badly damaged. Shive-Hattery estimated the renovation costs at \$1,450,000. The school does have flood insurance on the junior high, but the insurance does not want to cover much of the damage as it was below grade. Southeast Elementary did experience about a foot of water inside the school. The damage was estimated by Shive-Hattery at \$570,000. Washington Irving School was basically ruined by flood waters. Shive-Hattery estimated renovation costs at \$3,692,000. They said it would cost \$7,500,000 to replace the building.
- The District had revenues of \$15,519,526 and \$16,184,177 was spent during the year. The District's financial solvency ratio as of June 30, 2008 was 8.71%. The financial solvency ratio as of June 30, 2007 was 13.27%.
- The District experienced an increase in certified enrollment. The October 2006 enrollment was 1855.3, while the October 1, 2007 enrollment was 1894.6.
- The number of net open-enrolled students decreased from 73 in fiscal year 2007 to 69 in fiscal year 2008.
- The District's alternative high school is continuing to become a regional alternative high school with a growing number of students from other districts enrolling in the program. This is having a positive financial impact on the District. The District took in over \$73,250 in tuition from neighboring districts that sent students to Waverly-Shell Rock's alternative high school.
- The District continued to share a physical education teacher and a guidance counselor with the Janesville Consolidated School District. This has allowed for some cost savings.
- The State of Iowa deducted a total of \$55,086 from the State Foundation Aid payments to the District to help support the state's juvenile homes during fiscal year 2008. The State of Iowa had deducted \$54,312 during the 2007 fiscal year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Waverly-Shell Rock Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Waverly-Shell Rock Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Waverly-Shell Rock Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Waverly-Shell Rock Community School District Annual Financial Report

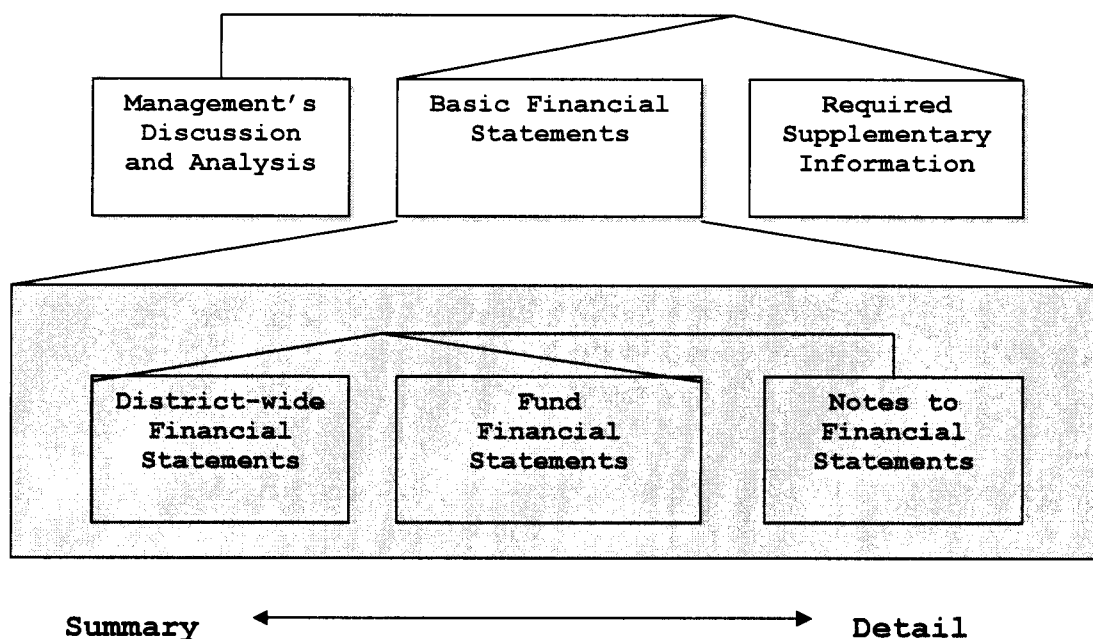


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements.

The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, Changes in Net Assets and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and account for certain federal and/or state grants on behalf of other District's and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

<p align="center">Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 11,227	10,676	213	222	11,440	10,898	4.97%
Capital assets	13,284	10,823	76	77	13,360	10,900	18.41%
Total assets	<u>24,511</u>	<u>21,499</u>	<u>289</u>	<u>299</u>	<u>24,800</u>	<u>21,798</u>	<u>12.10%</u>
Current liabilities	7,400	7,330	41	13	7,441	7,343	1.32%
Non-current liabilities	6,823	4,923	-	-	6,823	4,923	27.85%
Total liabilities	<u>14,223</u>	<u>12,253</u>	<u>41</u>	<u>13</u>	<u>14,264</u>	<u>12,266</u>	<u>16.29%</u>
Net Assets							
Invested in capital assets, net of related debt	6,769	6,208	77	77	6,846	6,285	8.19%
Restricted	1,482	810	-	-	1,482	810	45.34%
Unrestricted	2,037	2,228	171	209	2,208	2,437	-9.40%
Total net assets	<u>\$ 10,288</u>	<u>9,246</u>	<u>248</u>	<u>286</u>	<u>10,536</u>	<u>9,532</u>	<u>10.53%</u>

The District's combined net assets increased 10% over the prior year. The largest portion of the District's net assets is capital assets.

Invested in capital assets (cost of land, buildings and equipment less related debt) increased 8% due to additional debt being issued, but related construction costs not yet being incurred.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 45% over the prior year due to spending revenue bond proceeds.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenant, enabling legislation or other legal requirements decreased 9%. This decrease in unrestricted net assets was primarily a result of the District's decrease in the General Fund.

Figure A-4 show the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4						
Changes in Net Assets						
(Expressed in Thousands)						
Governmental		Business type		Total		Total
Activities		Activities		School	District	Change
2008	2007	2008	2007	2008	2007	2007-08
\$ 1,114	1,366	684	675	1,798	2,041	-11.91%
3,125	2,524	269	268	3,394	2,792	21.56%
223	600	-	-	223	600	100.00%
5,600	5,410	-	-	5,600	5,410	3.51%
682	597	-	-	682	597	14.24%
1,033	1,076	-	-	1,033	1,076	-4.00%
7,044	6,797	-	-	7,044	6,797	3.63%
6	15	-	-	6	15	-60.00%
220	42	-	-	220	42	423.81%
19,047	18,427	953	943	20,000	19,370	3.25%
12,143	11,543	-	-	12,143	11,543	5.20%
4,499	4,209	-	-	4,499	4,209	6.89%
-	-	991	885	991	885	11.98%
1,364	1,548	-	-	1,364	1,548	-11.89%
18,006	17,300	991	885	18,997	18,185	4.47%
\$ 1,041	1,127	(38)	58	1,003	1,185	-15.36%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$19,047,986 and expenses were \$18,006,591. Revenues from governmental activities were \$1,041,395 greater than the expenditures for governmental activities.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ending June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 12,143	11,543	5.20%	8,837	8,440	4.70%
Support Services	4,499	4,209	6.89%	4,200	4,019	4.50%
Other expenses	1,364	1,548	-11.89%	507	351	44.44%
Totals	<u>\$ 18,006</u>	<u>17,300</u>	<u>4.08%</u>	<u>13,544</u>	<u>12,810</u>	<u>5.73%</u>

- The cost financed by users of the District's programs was \$1,113,783.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,307,469.
- The net cost of governmental activities was financed with \$5,600,348 in property tax, \$7,044,211 in state foundation aid and \$6,804 in interest income.

Business Activities

Revenues for the District's School Nutrition Fund were \$953,362 and expenses were \$991,815. The revenues include: charges for services, contributions and federal and state reimbursements.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

Fiduciary Funds

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

The Agency Funds are funds belonging to parent groups, school employee groups and such groups as Athletic Boosters. The school merely holds these funds in a bank account for these groups and writes checks for these groups when directed by the group. These funds are not to be used to support the regular operations of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Waverly-Shell Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$2,899,554, which is 19% greater than last year's ending fund balance of \$2,438,335.

Governmental Fund Highlights

- The District has been controlling the decline of its General Fund balance by greatly reducing travel and field trips, and reducing staff slightly where possible.
- Increased open enrollments into the District have helped maintain instructional programs with the increased number of students and tuition-in dollars.
- The District is using local option sales tax dollars to add a gym and auditorium to the senior high school.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

Actual revenues exceeded budgeted amounts by \$108,211 primarily due to additional income surtax and increased tuition from out of the District students. Actual expenses were less than budgeted amounts by \$541,155. This was due to the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. Also, the budget was amended to reflect a \$3,197,195 increase primarily for new construction.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2008, the District has invested more than \$13.3 million (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses and other vehicles, library holdings and textbooks. Total depreciation for the year exceeded \$455,000.

Long-term Debt

The District continues to pay off general obligation school bonds. The remaining \$400,000 worth of bonds carries with them interest costs of \$10,000. The principal and interest on the bonds will be paid in full by June 1, 2009. The District makes principal and interest payments yearly on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

The District issued \$4,300,000 of revenue bonds for the construction of an addition to the high school in October 2005. \$3,335,000 remains to be paid over the next 7 years with proceeds from the local option sales tax.

During the current year, the District issued \$2,780,000 of revenue bonds for the high school addition. Interest only will be paid for 7 years and principal will be paid from FY15 through FY22.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Washington Irving School will have to be replaced due to the flood ruining the building. FEMA and Iowa Homeland Security are promising the school significant financial help. Currently the district is spending \$16,500 to rent space in a mall/office complex to house the school for fifth and sixth graders.
- The Board of Education plans to hold a bond referendum in 2009 to build a new school for all district students in grade 5 through 8. This building would replace Washington Irving School that was totally ruined in the June 12th flood and it also would replace the junior high school that is over 82 years old.

- The District levied \$215,000 allowable growth for dropout prevention.
- The District's employee group health insurance did not increase. This was welcome news to the employees and the Board.
- State Foundation Aid dollars to the district increased \$190,303 from fiscal year 2007 to fiscal year 2008. Property tax dollars for the General Fund increased \$247,395 from fiscal year 2007 to fiscal year 2008.
- The District began receiving payments in December 2005 for Instructional Support Income Surtax.
- The Greenview Alternative High School in Waverly is becoming a regional alternative high school. Many students come from a variety of neighboring school districts to Greenview. The tuition in, for these students, has been a real positive for the Waverly-Shell Rock Community School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Stufflebeam, School Business Manager, Waverly-Shell Rock Community Schools, 1415 4th Avenue SW, Waverly, Iowa 50677.

Basic Financial Statements

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,106,279	133,671	4,239,950
Receivables:			
Property tax:			
Current year	132,027	-	132,027
Succeeding year	5,901,634	-	5,901,634
Succeeding year income surtax	562,596	-	562,596
Due from other governments	518,229	55,479	573,708
Other receivables	2,252	-	2,252
Inventories	-	23,776	23,776
Prepaid expenses	3,300	-	3,300
Capital assets, net of accumulated depreciation (note 3)	13,284,155	76,510	13,360,665
Total assets	<u>24,510,472</u>	<u>289,436</u>	<u>24,799,908</u>
Liabilities			
Accounts payable	227,192	-	227,192
Accrued salary and benefits	1,250,320	41,730	1,292,050
Accrued interest payable	21,152	-	21,152
Deferred revenue:			
Succeeding year property tax	5,901,634	-	5,901,634
Long term liabilities:			
Portion due within one year:			
General obligation bonds payable	400,000	-	400,000
Revenue bonds payable	510,000	-	510,000
Early retirement payable	307,513	-	307,513
Portion due after one year:			
Revenue bonds payable	5,605,000	-	5,605,000
Total liabilities	<u>14,222,811</u>	<u>41,730</u>	<u>14,264,541</u>
Net assets			
Invested in capital assets, net of related debt	6,769,155	76,510	6,845,665
Restricted for:			
Debt service	110,614	-	110,614
Physical plant and equipment levy	391,527	-	391,527
Capital projects	594,665	-	594,665
Health insurance	385,021	-	385,021
Unrestricted	2,036,679	171,196	2,207,875
Total net assets	<u>\$ 10,287,661</u>	<u>247,706</u>	<u>10,535,367</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 12,143,464	965,448	2,340,912	(8,837,104)	-	(8,837,104)
Support services:						
Student services	348,133	-	-	(348,133)	-	(348,133)
Instructional staff services	597,333	-	-	(597,333)	-	(597,333)
Administration services	1,459,945	-	-	(1,459,945)	-	(1,459,945)
Operation and maintenance of plant services	1,391,253	150,719	-	(1,240,534)	-	(1,240,534)
Transportation services	702,297	-	-	(553,872)	-	(553,872)
	4,498,961	150,719	-	(4,199,817)	-	(4,199,817)
Other expenditures:						
Facilities acquisition	7,092	-	222,935	215,843	-	215,843
Interest on long term debt	267,210	-	-	(267,210)	-	(267,210)
Long-term debt service	900	531	-	(369)	-	(369)
AEA flowthrough	633,205	633,205	-	-	-	-
Depreciation (unallocated)*	455,759	-	-	(455,759)	-	(455,759)
	1,364,166	633,736	222,935	(507,495)	-	(507,495)
Total governmental activities	18,006,591	3,125,367	222,935	(13,544,416)	-	(13,544,416)

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses						
Business Type activities:						
Non-instructional programs:						
Nutrition services	991,815	683,886	269,476	-	(38,453)	(38,453)
Total	<u>\$ 18,998,406</u>	<u>1,797,759</u>	<u>3,394,843</u>	<u>(13,544,416)</u>	<u>(38,453)</u>	<u>(13,582,869)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,538,470	-	4,538,470
Management fund				496,524	-	496,524
Debt service				405,133	-	405,133
Capital outlay				160,221	-	160,221
Income surtax				682,238	-	682,238
Local option sales tax				1,032,573	-	1,032,573
Unrestricted state grants				7,044,211	-	7,044,211
Unrestricted investment earnings				6,804	-	6,804
Other				219,637	-	219,637
Total general revenues				<u>14,585,811</u>	<u>-</u>	<u>14,585,811</u>
Change in net assets				1,041,395	(38,453)	1,002,942
Net assets beginning of year				9,246,266	286,159	9,532,425
Net assets end of year				<u>\$ 10,287,661</u>	<u>247,706</u>	<u>10,535,367</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General	Management Levy	Debt Service	Capital Projects	Non-major Special Revenue	Total
Assets						
Cash and pooled investments	\$ 2,098,600	380,798	102,092	679,013	463,007	3,723,510
Receivables:						
Property tax:						
Current year	109,404	10,729	8,522	-	3,372	132,027
Succeeding year	4,960,689	360,439	410,400	-	170,106	5,901,634
Income surtax	562,596	-	-	-	-	562,596
Due from other governments	435,158	-	-	83,071	-	518,229
Prepaid expenses	3,300	-	-	-	-	3,300
Total assets	<u>8,169,747</u>	<u>751,966</u>	<u>521,014</u>	<u>762,084</u>	<u>636,485</u>	<u>10,841,296</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	44,773	-	-	167,419	15,000	227,192
Accrued salary and benefits	1,250,320	-	-	-	-	1,250,320
Retainage payable	-	-	-	-	-	-
Deferred revenue:						
Succeeding year property tax	4,960,689	360,439	410,400	-	170,106	5,901,634
Succeeding year income surtax	562,596	-	-	-	-	562,596
Total liabilities	<u>6,818,378</u>	<u>360,439</u>	<u>410,400</u>	<u>167,419</u>	<u>185,106</u>	<u>7,941,742</u>
Fund balances:						
Reserved for debt service	-	-	110,614	-	-	110,614
Reserved for capital projects	-	-	-	594,665	-	594,665
Unreserved	1,351,369	391,527	-	-	451,379	2,194,275
Total fund balances	<u>1,351,369</u>	<u>391,527</u>	<u>110,614</u>	<u>594,665</u>	<u>451,379</u>	<u>2,899,554</u>
Total liabilities and fund balances	<u>\$ 8,169,747</u>	<u>751,966</u>	<u>521,014</u>	<u>762,084</u>	<u>636,485</u>	<u>10,841,296</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 2,899,554
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	562,596
Internal Service fund assets that are to be included with governmental funds.	385,021
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,284,155
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(21,152)
Long-term liabilities, including bonds payable and early retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(6,822,513)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 10,287,661</u></u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Management Levy	Debt Service	Capital Projects	Non-major Special Revenue	Total
Revenues:						
Local sources:						
Local tax	\$ 5,157,061	496,524	405,133	1,032,573	160,221	7,251,512
Tuition	799,477	-	-	-	-	799,477
Other	578,103	396	218	193,762	978,699	1,751,178
State sources	8,591,737	410	313	-	124	8,592,584
Federal sources	393,148	-	-	-	-	393,148
Total revenues	15,519,526	497,330	405,664	1,226,335	1,139,044	18,787,899
Expenditures:						
Instruction:	11,199,731	-	-	-	907,189	12,106,920
Support services						
Student services	348,133	-	-	-	-	348,133
Instructional staff services	597,333	-	-	-	-	597,333
Administration services	1,366,973	92,972	-	-	-	1,459,945
Operation and maintenance of plant services	1,497,104	64,566	-	-	112,954	1,674,624
Transportation services	541,698	14,539	-	-	146,060	702,297
	4,351,241	172,077	-	-	259,014	4,782,332
Other expenditures						
Facilities acquisition	-	-	-	2,470,794	170,016	2,640,810
Principal on long-term debt	-	-	880,000	-	-	880,000
Interest on long-term debt	-	-	258,953	-	-	258,953
Long-term debt services	-	-	900	-	-	900
AEA flowthrough	633,205	-	-	-	-	633,205
	633,205	-	1,139,853	2,470,794	170,016	4,413,868
Total expenditures	16,184,177	172,077	1,139,853	2,470,794	1,336,219	21,303,120

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Management Levy	Debt Service	Capital Projects	Non-major Special Revenue	Total
Excess (Deficiency) of revenues over (under) expenditures	<u>(664,651)</u>	<u>325,253</u>	<u>(734,189)</u>	<u>(1,244,459)</u>	<u>(197,175)</u>	<u>(2,515,221)</u>
Other financing sources (uses):						
Sale of property and equipment	17,641	-	-	-	149,626	167,267
Proceeds of revenue bonds issued				2,780,000		2,780,000
Premium received on sale of bonds				29,173		29,173
Operating transfers in	-	-	730,873	-	-	730,873
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(730,873)</u>	<u>-</u>	<u>(730,873)</u>
	<u>17,641</u>	<u>-</u>	<u>730,873</u>	<u>2,078,300</u>	<u>149,626</u>	<u>2,976,440</u>
Net change in fund balance	(647,010)	325,253	(3,316)	833,841	(47,549)	461,219
Fund balances beginning of year	<u>1,998,379</u>	<u>66,274</u>	<u>113,930</u>	<u>(239,176)</u>	<u>498,928</u>	<u>2,438,335</u>
Fund balances end of year	<u>\$ 1,351,369</u>	<u>391,527</u>	<u>110,614</u>	<u>594,665</u>	<u>451,379</u>	<u>2,899,554</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ 461,219

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 63,647

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,917,089	
Depreciation expense	<u>(455,759)</u>	2,461,330

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(2,780,000)	
Repayments	<u>880,000</u>	(1,900,000)

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(307,513)	
Payments	<u>307,713</u>	200

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (8,257)

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. (36,744)

Change in net assets of governmental activities (Exhibit B) \$ 1,041,395

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2008

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 133,671	382,769
Other receivables	55,479	2,252
Inventories	23,776	-
Capital assets, net of accumulated depreciation	76,510	-
Total assets	<u>289,436</u>	<u>385,021</u>
Liabilities		
Accrued salary and benefits	41,730	-
Total liabilities	<u>41,730</u>	<u>-</u>
Net Assets		
Invested in capital assets, net of related debt	76,510	-
Restricted for health insurance	-	385,021
Unrestricted	171,196	-
Total net assets	<u>\$ 247,706</u>	<u>385,021</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2008

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 683,886	962,228
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	427,868	-
Benefits	61,139	-
Supplies	501,879	-
Depreciation	929	-
	991,815	-
Internal service programs:		
Benefits	-	998,972
Total operating expenses	991,815	998,972
Operating (loss)	(307,929)	(36,744)
Non-operating revenues:		
State sources	8,773	-
Federal sources	260,703	-
	269,476	-
Net change in assets	(38,453)	(36,744)
Net assets beginning of year	286,159	421,765
Net assets end of year	\$ 247,706	385,021

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of services	\$ 665,164	960,359
Cash payments to employees for services	(460,048)	(998,972)
Cash payments to suppliers for goods or services	(439,690)	-
Net cash provided by (used in) operating activities	(234,574)	(38,613)
Cash flows from non-capital financing activities:		
State grants received	8,773	-
Federal grants received	196,381	-
Net cash provided by non-capital financing activities	205,154	-
Net (decrease) in cash and cash equivalents	(29,420)	(38,613)
Cash and cash equivalents beginning of year	163,091	421,382
Cash and cash equivalents end of year	\$ 133,671	382,769
Reconciliation of operating (loss) to net cash used in operating activities:		
Operating (loss)	\$ (307,929)	(36,744)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	929	-
Commodities used	64,322	-
(Increase) in other receivables	(18,722)	(1,869)
(Increase) in inventory	(2,133)	-
Increase in accrued payroll and benefits	28,959	-
	<u>\$ (234,574)</u>	<u>(38,613)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$64,322.

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Private Purpose Trusts	Agency Funds	Total
Assets			
Cash and pooled investments	\$ 90,834	88,085	178,919
Total assets	<u>90,834</u>	<u>88,085</u>	<u>178,919</u>
Liabilities			
Other payables	<u>-</u>	<u>88,085</u>	<u>88,085</u>
Net Assets			
Reserved for scholarships	72,693	-	72,693
Unreserved, undesignated	<u>18,141</u>	<u>-</u>	<u>18,141</u>
Total net assets	<u>\$ 90,834</u>	<u>-</u>	<u>90,834</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	<u>Private Purpose Trusts</u>
Additions:	
Local sources:	
Interest on investments	\$ 4,153
Contributions	<u>27,200</u>
Total additions	<u>31,353</u>
Deductions:	
Support services:	
Supplies	34,506
Scholarships	<u>2,400</u>
Total deductions	<u>36,906</u>
Change in net assets	(5,553)
Net assets beginning of year	<u>96,387</u>
Net assets end of year	<u><u>\$ 90,834</u></u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Waverly-Shell Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Waverly and Shell Rock, Iowa, and agricultural territory in Black Hawk, Bremer and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Waverly-Shell Rock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Waverly-Shell Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets we depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceeded the amended amount budgeted in the support services function.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 83,595	415,547	-	499,142
Capital assets being depreciated:				
Buildings	16,799,029	2,239,992	-	19,039,021
Improvements other than buildings	450,319	-	-	450,319
Furniture and Equipment	3,522,038	283,371	-	3,805,409
Construction in progress	21,821	-	21,821	-
Total capital assets being depreciated	20,793,207	2,523,363	21,821	23,294,749
Less accumulated depreciation for:				
Buildings	6,287,780	380,781	-	6,668,561
Improvements other than buildings	363,374	22,516	-	385,890
Furniture and Equipment	3,402,823	52,462	-	3,455,285
Total accumulated depreciation	10,053,977	455,759	-	10,509,736
Total capital assets being depreciated, net	10,739,230	2,067,604	21,821	12,785,013
Governmental activities, capital assets, net	\$ 10,822,825	2,483,151	21,821	13,284,155
Business type activities:				
Furniture and Equipment	\$ 207,094	-	85,611	121,483
Less accumulated depreciation	129,655	929	85,611	44,973
	\$ 77,439	(929)	-	76,510
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 455,759
Business type activities:				
Food service operations				\$ 929

(4) General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	2.50%	\$400,000	10,000	410,000

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds Payable</u>	<u>Early Retirement Payable</u>	<u>Total</u>
Balance beginning of year	\$790,000	3,825,000	307,713	4,922,713
Additions	-	2,780,000	307,513	3,087,513
Reductions	<u>390,000</u>	<u>490,000</u>	<u>307,713</u>	<u>1,187,713</u>
Balance end of year	<u>\$400,000</u>	<u>6,115,000</u>	<u>307,513</u>	<u>6,822,513</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll, for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$597,385, \$519,508 and \$504,645 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$633,205 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2008 totaled \$307,713.

(9) Risk Management

Waverly-Shell Rock Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Contingencies

The District is currently involved in legal action in regards to a civil rights complaint involving a student. Per communication with legal counsel, no probable outcome can be determined, however, the District will be covered by its existing insurance coverage for any damages less the District's deductible. Due to the uncertainty of outcome and insurance coverage, no provision for liability has been included in the financial statements.

(11) Revenue Bonds Payable

Details of the District's June 30, 2008 revenue bond are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rates	Interest	Principal	Total
2009	3.56%	\$118,726	510,000	628,726
2010	3.56	100,570	525,000	625,570
2011	3.56	81,880	545,000	626,880
2012	3.56	62,478	565,000	627,478
2013	3.56	42,364	585,000	627,364
2014	3.56	<u>21,538</u>	<u>605,000</u>	<u>626,538</u>
Total		<u>\$427,556</u>	<u>3,335,000</u>	<u>3,762,556</u>

Year Ending June 30,	Bond Issue of September 1, 2007			
	Interest Rates	Interest	Principal	Total
2009	4.50%	\$ 125,100	-	125,100
2010	4.50	125,100	-	125,100
2011	4.50	125,100	-	125,100
2012	4.50	125,100	-	125,100
2013	4.50	125,100	-	125,100
2014	4.50	125,100	-	125,100
2015-2019	4.50	451,350	1,860,000	2,311,350
2020-2022	4.50	<u>81,450</u>	<u>920,000</u>	<u>801,450</u>
Total		<u>\$1,283,400</u>	<u>2,780,000</u>	<u>4,063,400</u>

The District has pledged future local option sales and services tax revenues to repay the bonds issued in May, 2006 and September, 2007. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$7,825,956. For the current year, \$1,034,750 of principal and interest was paid on the bonds and total local option sales and service tax revenues were \$1,032,573.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$678,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

(12) Commitments

- A) The District had committed to projects totaling \$307,220 in connection with repairs resulting from flood damage in June, 2008.

Required Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 9,802,167	683,886	10,486,053	10,940,834	10,940,834	(454,781)
State sources	8,592,584	8,773	8,601,357	8,232,216	8,232,216	369,141
Federal sources	393,148	260,703	653,851	460,000	460,000	193,851
Total revenues	18,787,899	953,362	19,741,261	19,633,050	19,633,050	108,211
Expenditures						
Instruction	12,106,920	-	12,106,920	12,011,304	12,730,000	623,080
Support services	4,782,332	-	4,782,332	4,472,390	4,496,090	(286,242)
Non-instructional programs	-	991,815	991,815	1,160,000	1,160,000	168,185
Other expenditures	4,413,868	-	4,413,868	1,995,021	4,450,000	36,132
Total expenditures	21,303,120	991,815	22,294,935	19,638,715	22,836,090	541,155
Excess (deficiency) of revenues over (under) expenditures	(2,515,221)	(38,453)	(2,553,674)	(5,665)	(3,203,040)	649,366
Other financing sources (uses)	2,976,440	-	2,976,440	-	-	2,976,440
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	461,219	(38,453)	422,766	(5,665)	(3,203,040)	3,625,806
Balance beginning of year	2,438,335	286,159	2,724,494	1,145,902	1,145,902	1,578,592
Balance end of year	\$ 2,899,554	247,706	3,147,260	1,140,237	(2,057,138)	5,204,398

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,197,375.

During the year ended June 30, 2008, expenditures exceeded the amended amount budgeted in the support services function. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Non-major Special Revenue Funds

June 30, 2008

	Physical Plant and Equipment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 167,533	295,474	463,007
Property tax receivable:			
Current year	3,372	-	3,372
Succeeding year	<u>170,106</u>	<u>-</u>	<u>170,106</u>
Total assets	<u><u>\$ 341,011</u></u>	<u><u>295,474</u></u>	<u><u>636,485</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 15,000	-	15,000
Deferred revenue:			
Succeeding year property tax	<u>170,106</u>	<u>-</u>	<u>170,106</u>
	185,106	-	185,106
Unreserved fund balances	<u>155,905</u>	<u>295,474</u>	<u>451,379</u>
Total liabilities and fund balances	<u><u>\$ 341,011</u></u>	<u><u>295,474</u></u>	<u><u>636,485</u></u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-major Special Revenue Funds

Year ended June 30, 2008

	Physical Plant and Equipment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 160,221	-	160,221
Other	163	978,536	978,699
State sources	124	-	124
Total revenues	<u>160,508</u>	<u>978,536</u>	<u>1,139,044</u>
Expenditures:			
Instruction:			
Instruction	-	907,189	907,189
Support services:			
Plant operation and maintenance	112,954	-	112,954
Student transportation	146,060	-	146,060
Other expenditures:			
Facilities acquisition and construction	<u>170,016</u>	<u>-</u>	<u>170,016</u>
Total expenditures	<u>429,030</u>	<u>907,189</u>	<u>1,336,219</u>
Excess (deficiency) of revenues over (under) expenditures	(268,522)	71,347	(197,175)
Other financing sources:			
Sale of real property	<u>149,626</u>	<u>-</u>	<u>149,626</u>
Net change in fund balance	(118,896)	71,347	(47,549)
Fund balances beginning of year	<u>274,801</u>	<u>224,127</u>	<u>498,928</u>
Balance end of year	<u>\$ 155,905</u>	<u>295,474</u>	<u>451,379</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Vocal Music	\$ 4,601	13,763	12,159	6,205
JH Variety Vocal	3,262	6,852	7,111	3,003
Instrumental Music	116	9,191	9,524	(217)
Elementary Band	1,417	2,123	1,924	1,616
Miscellaneous Sports	(492)	25,463	24,951	20
JH Track	(294)	2,295	1,911	90
Cross Country	352	3,185	3,491	46
Boys Basketball	(352)	24,122	21,128	2,642
JH Boys Basketball	138	1,525	1,646	17
Football	274	58,220	54,974	3,520
JH Football	290	1,014	1,140	164
Boys Soccer	826	20,937	19,373	2,390
Baseball	1,627	15,753	17,047	333
Boys Track	(102)	4,850	4,735	13
Boys Tennis	583	1,173	1,605	151
Boys Golf	983	3,917	4,874	26
Wrestling	599	64,036	67,618	(2,983)
Weightlifting	3,339	3,561	6,726	174
JH Wrestling	2	450	407	45
Girls Basketball	(512)	11,378	10,818	48
JH Girls Basketball	760	725	1,468	17
Girls Volleyball	211	22,222	22,194	239
JH Girls Volleyball	172	1,877	2,039	10
Girls Soccer	1,001	15,992	16,677	316
Girls Softball	502	11,993	12,182	313
Girls Track	914	5,701	6,592	23
Girls Tennis	288	338	493	133
Girls Golf	457	271	490	238
Dance Team	310	4,780	3,631	1,459
Masquers	3,222	4,942	4,845	3,319
Art Club	1,199	1,667	618	2,248
Boys W Club	872	257	130	999
Science Club	8,007	2,976	3,606	7,377
Energy Team	-	440	167	273
National Honor Society	(109)	3,997	3,835	53
Publications	1,776	33	63	1,746
Student Senate	2,487	4,768	6,956	299
Student Lounge	3,829	10,363	9,764	4,428
SADD	483	-	27	456
Class of 2009	112	2,373	2,252	233
Class of 2010	178	-	-	178
Class of 2011	-	147	3,476	(3,329)
Class of 2007	88	-	88	-
Class of 2008	688	4,703	4,610	781
Varsity Club	343	2,081	1,934	490
Annual	13,482	32,425	26,831	19,076
Guidance Transcripts	2,804	1,016	999	2,821

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
French Club	1,854	3,070	4,354	570
Spanish Club Student Accounts	10,017	8,813	8,982	9,848
Spanish Club Operating Accounts	1,772	8,331	5,155	4,948
FFA	2,424	35,745	36,141	2,028
German Club	743	1,749	1,198	1,294
DECA	3,984	28,124	25,772	6,336
String Music	(495)	8,682	7,217	970
HS Football Cheerleaders	861	6,009	5,081	1,789
Band Uniform Cleaning	166	2,610	1,975	801
HS Basketball Cheerleaders	(246)	2,517	2,334	(63)
HS Wrestling Cheerleaders	185	1,470	1,560	95
JH Cheerleaders	1,166	297	210	1,253
JH Student Council	1,419	5,266	4,743	1,942
JH Activity	15,191	25,947	15,215	25,923
JH Annual	1,997	1,577	300	3,274
JH Cookie Sales	974	2,628	2,721	881
Trapshooting	82	2,371	394	2,059
Junior High Band Rental & Repair	1,129	1,809	1,570	1,368
Irving Account	550	1,118	1,051	617
Buxton TAG	1,094	765	1,302	557
Shell Rock Activity Fund	3,810	7,944	5,550	6,204
Carey Account	2,343	891	996	2,238
Carey Second Grade - Mrs. Howell	50	-	-	50
West Cedar Account	367	962	928	401
MOC	192	161	201	152
Elementary Chorus - Hansen	27	389	425	(9)
Athletic Director	1,679	9,658	11,086	251
Wizard of Oz	1,305	-	-	1,305
Faces of Courage	-	995	995	-
German Club Obligations	2,130	427	529	2,028
Other Activities	32,606	5,000	11,640	25,966
Pictures	1,327	-	1,122	205
Christmas Card	4,132	2,650	2,100	4,682
Change Fund	(1,152)	12,156	12,865	(1,861)
Books	2,487	18,942	11,085	10,344
Activity Tickets	2,895	20,135	18,666	4,364
School Lunch	1,156	51,483	48,918	3,721
Transportation pop	522	1,359	1,521	360
W-SR Wilderness	516	10,130	7,594	3,052
Instrumental Repair	94	1,027	983	138
HS Strings Fundraising	887	7,051	7,878	60
PE Stores	3,949	56	3,516	489
String Music Stores	(6)	-	45	(51)
Band Stores - High School	117	450	2,360	(1,793)
Calculators - HS Math Dept	590	7,880	7,596	874
SH Band Fundraiser	1,052	45,529	12,920	33,661
Home Ec Stores	728	373	369	732

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Ind Tech Stores - HS	(3,179)	15,937	11,332	1,426
HS Pop	4,909	1,612	1,621	4,900
High School Library	258	1,627	833	1,052
JH Courtesy	(53)	845	781	11
JH Band Stores	(392)	1,485	927	166
JH Tech Stores	651	1,495	887	1,259
JH Library	1,008	396	1,224	180
Shop Group Shell Rock	457	379	-	836
JH Chess Club	2	-	-	2
JH Video Club	328	214	247	295
Shell Rock Pop	1,022	671	563	1,130
Entrepreneurship Class	543	19,829	19,959	413
Recycling - Carlson	813	-	114	699
Bus Buddies	946	-	-	946
IT Vehicle Fund	-	1,700	1,583	117
JH Home Economics	2,680	3,395	917	5,158
Southeast Library	53	74	23	104
Carey Library	156	246	311	91
Irving Library	176	574	705	45
Shell Rock Library	106	12	98	20
JH Art	2,243	306	-	2,549
West Cedar Library	110	209	84	235
Southeast School	3,234	7,386	5,756	4,864
Chat and Chew Book Review	-	1,350	1,350	-
Business Office - Miscellaneous	78	4,174	4,419	(167)
TAG Award	(536)	4,340	1,646	2,158
B&K Homeroom	304	-	-	304
HS Technology Grants	-	11,143	12,987	(1,844)
Irving Transportation Donation	1,403	144	60	1,487
Irving Playground Account	252	-	252	-
Mr. Winter's Account	3,869	1,165	383	4,651
HS Character Counts	330	-	-	330
HS Vocal Music Fund Raising	-	5,687	5,425	262
Human Rights Group	32	-	32	-
HS Vocal Music	-	140,320	138,587	1,733
HS Vocal Music Cheese and Sausage	-	16,082	16,082	-
HS Vocal Music Account	9,161	-	2,529	6,632
HS Vocal Music Trips	1,026	350	1,376	-
HS Musical	6,201	12,112	13,495	4,818
HS Vocal Music Uniform Account	5,179	-	1,738	3,441
D Wiltse Transportation Donation	8	-	8	-
High School Jazz	1,068	356	1,092	332
String Rental	(118)	90	-	(28)
Transportation - West Cedar	1,491	1,399	348	2,542
Advisor/Advisor	-	980	247	733
Elem Art Contest	33	-	-	33
Elem Art	22	-	-	22
Mrs. Ribich Class Project	39	-	-	39

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elem & JH String Rentals	146	1,856	1,469	533
Elem & JH String Stores	160	639	972	(173)
JH Tech Center	41	39	-	80
JH Math	630	-	285	345
PLUS Program Math Competition	143	2,267	1,965	445
SH Transportation Monies	517	-	154	363
HS Donation (Bock)	1,817	2,541	-	4,358
HS Front Door Donations	500	-	-	500
Walton Donation (Bock)	(1,097)	1,097	-	-
Mrs Whitney/Mrs Podhajsky	51	-	51	-
Team Sigma	725	6,798	3,847	3,676
Team GR8	192	-	55	137
Dream Team	867	3,213	2,180	1,900
Team Axis	686	-	82	604
JH Teachers Associates	156	10	166	-
JH SLI	705	-	333	372
HS Advance Placement	2,314	3,948	3,721	2,541
JH Juice	258	610	650	218
Bowling Account	-	700	653	47
	224,127	1,046,243	974,896	295,474
Less interaccount transfers		(67,707)	(67,707)	
Total	\$ 224,127	978,536	907,189	295,474

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2008

	Carey Parents	William Wood Scholarship	Jr High Jamison	W. Cedar Parents	Dierks Scholarship	Kenneth Stunne Scholarship	HS Math/ Science	Elementary PE	DECA Student Account
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash and pooled investments	\$ 6,028	1,465	2	3,355	51,979	21,002	431	130	572
	\$ 6,028	1,465	2	3,355	51,979	21,002	431	130	572
Net Assets									
Reserved for Scholarships Unreserved	\$ - 6,028	1,465 -	- 2	- 3,355	50,226 1,753	21,002 -	- 431	- 130	- 572
	\$ 6,028	1,465	2	3,355	51,979	21,002	431	130	572

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2008

	Irving T. Hirst	HS Special Education	Jr High Rohne	Shell Rock Rozen	Carey Clausing	Shell Rock Huberg	Shell Rock Greenlee	Shell Rock Obermeier	Jr High Durker
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash and pooled investments	(11)	2,343	4	304	101	282	523	214	355
	(11)	2,343	4	304	101	282	523	214	355
Net Assets									
Reserved for Scholarships Unreserved	- (11)	- 2,343	- 4	- 304	- 101	- 282	- 523	- 214	- 355
	(11)	2,343	4	304	101	282	523	214	355

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2008

	HS Inclusion	HS Art Kiln	Shell Rock Jessica Johnson	West Cedar Cook	High School Podhajsky	Joan Greenlee WalMart	Total
Cash and pooled investments	\$ 35	403	75	7	803	432	90,834
	\$ 35	403	75	7	803	432	90,834
Net Assets							
Reserved for Scholarships	\$ -	-	-	-	-	-	72,693
Unreserved	35	403	75	7	803	432	18,141
	\$ 35	403	75	7	803	432	90,834

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2008

	Carey Parents	William Wood Scholarship	W. Cedar Parents	Diercks Scholarship	Kenneth Stumme Scholarship	HS Math/ Science	Elementary PE
Revenues:							
Local sources:							
Interest on investments	\$ -	-	-	4,153	-	-	-
Contributions	13,774	-	9,364	-	-	-	-
	<u>13,774</u>	<u>-</u>	<u>9,364</u>	<u>4,153</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:							
Instruction:							
Regular instruction:							
Supplies	11,541	-	13,010	-	-	-	-
Other	-	-	-	2,400	-	-	-
	<u>11,541</u>	<u>-</u>	<u>13,010</u>	<u>2,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,233	-	(3,646)	1,753	-	-	-
Balance beginning of year	<u>3,795</u>	<u>1,465</u>	<u>7,001</u>	<u>50,226</u>	<u>21,002</u>	<u>431</u>	<u>130</u>
Balance end of year	<u>\$ 6,028</u>	<u>1,465</u>	<u>3,355</u>	<u>51,979</u>	<u>21,002</u>	<u>431</u>	<u>130</u>

Waverly-Shell Rock Community School District

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2008

	HS Special Education	Irving Hirst	West Cedar Cook	Shell Rock Rozen	Carey Clausing	Shell Rock Huberg	Shell Rock Greenlee
Revenues:							
Local sources:							
Interest on investments	\$ -	-	-	-	-	-	-
Contributions	876	75	75	75	75	75	75
	<u>876</u>	<u>75</u>	<u>75</u>	<u>75</u>	<u>75</u>	<u>75</u>	<u>75</u>
Expenditures:							
Instruction:							
Regular instruction:	823	-	68	-	36	-	-
Supplies	-	-	-	-	-	-	-
Other	<u>823</u>	<u>-</u>	<u>68</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	53	75	7	75	39	75	75
Balance beginning of year	<u>2,290</u>	<u>(86)</u>	<u>-</u>	<u>229</u>	<u>62</u>	<u>207</u>	<u>448</u>
Balance end of year	<u>\$ 2,343</u>	<u>(11)</u>	<u>7</u>	<u>304</u>	<u>101</u>	<u>282</u>	<u>523</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2008

	Jr High Jamison	Jr High Dueker	High School Podhajsky	HS Inclusion	HS Art Kiln	Irving Grant	Jerry Greenlee Memorial
Revenues:							
Local sources:							
Interest on investments	\$ -	-	-	-	-	-	-
Contributions	75	75	300	32	-	53	280
	<u>75</u>	<u>75</u>	<u>300</u>	<u>32</u>	<u>-</u>	<u>53</u>	<u>280</u>
Expenditures:							
Instruction:							
Regular instruction:							
Supplies	73	-	218	167	-	5,630	272
Other	-	-	-	-	-	-	-
	<u>73</u>	<u>-</u>	<u>218</u>	<u>167</u>	<u>-</u>	<u>5,630</u>	<u>272</u>
Excess (deficiency) of revenues over (under) expenditures	2	75	82	(135)	-	(5,577)	8
Balance beginning of year	-	280	721	170	403	5,577	(8)
Balance end of year	<u>\$ 2</u>	<u>355</u>	<u>803</u>	<u>35</u>	<u>403</u>	<u>-</u>	<u>-</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2008

	DECA Student Account	Shell Rock Obermeier	Joan Greenlee WalMart	Jr High Rohne	Shell Rock Jessica Johnson	Total
Revenues:						
Local sources:						
Interest on investments	\$ -	-	-	-	-	4,153
Contributions	206	1,565	-	75	75	27,200
	206	1,565	-	75	75	31,353
Expenditures:						
Instruction:						
Regular instruction:						
Supplies	613	1,562	422	71	-	34,506
Other	-	-	-	-	-	2,400
	613	1,562	422	71	-	36,906
Excess (deficiency) of revenues over (under) expenditures	(407)	3	(422)	4	75	(5,553)
Balance beginning of year	979	211	854	-	-	96,387
Balance end of year	\$ 572	214	432	4	75	90,834

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2008

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
"Catch The Spirit" Foundation	\$ 2,165	5,633	5,589	2,209
HS Benevolent	109	345	201	253
Irving Social Fund	121	55	171	5
High School Food Drive	-	1,384	884	500
Maintenance Courtesy	23	65	-	88
Transportation Courtesy	-	145	131	14
Irving Parent Account	5,719	21,120	18,542	8,297
Junior High Parent Account	17,087	32,051	46,173	2,965
Secretary Courtesy	4	120	121	3
Concessions - Athletic Boosters	14,577	102,825	90,372	27,030
Membership - Athletic Boosters	3,382	32,867	18,808	17,441
Athletic Boosters - Facility/Equipment	39,640	6,605	44,145	2,100
Athletic Boosters - Addl Events	5,325	17,992	6,164	17,153
Athletic Booster Resale	8,591	14,406	17,620	5,377
Athletic Boosters Budgeted	1,474	-	-	1,474
Athletic Boosters Wishlist	113	-	-	113
Athletic Boosters Operational	100	-	-	100
USSSA Baseball	-	3,880	1,713	2,167
Employee Wellness	-	3,609	2,825	784
CPR/AED Fund	147	276	411	12
	<u>\$ 98,577</u>	<u>243,378</u>	<u>253,870</u>	<u>88,085</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

Modified Accrual Basis

	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	7,251,512	7,048,847	6,376,517	5,495,828	5,065,151
Tuition	799,477	942,258	909,463	783,604	709,076
Other	1,751,178	1,809,680	1,825,532	1,501,415	1,265,994
State sources	8,592,584	8,162,461	7,780,538	7,529,667	7,174,426
Federal sources	393,148	417,334	449,712	328,804	464,678
Total	<u>18,787,899</u>	<u>18,380,580</u>	<u>17,341,762</u>	<u>15,639,318</u>	<u>14,679,325</u>
Expenditures:					
Instruction	12,106,920	11,343,858	11,075,422	10,234,785	9,190,226
Support services:					
Student	348,133	342,361	344,924	334,727	323,479
Instructional staff	597,333	563,623	545,859	562,566	581,294
Administration	1,459,945	1,374,027	1,323,877	1,397,024	1,392,269
Operation and maintenance of plant	1,674,624	1,361,334	1,451,174	1,170,050	1,077,131
Transportation	702,297	663,258	549,698	519,403	547,643
Other expenditures:					
Facilities acquisition	2,640,810	4,686,356	2,643,509	455,770	356,576
Debt Service					
Principal	880,000	855,000	470,000	460,000	455,000
Interest and service charges	259,853	179,660	21,697	42,743	57,221
AEA flowthrough	633,205	596,701	546,568	544,101	541,453
Total	<u>21,303,120</u>	<u>21,966,178</u>	<u>18,972,728</u>	<u>15,721,169</u>	<u>14,522,292</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY08	\$ 12,546
Food Distribution (non-cash)	10.555	FY08	64,322
National School Lunch Program	10.555	FY08	<u>183,835</u>
			<u>260,703</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6840-G-08	141,788
Title I Neglected and Delinquent Children	84.012	6840-D-08	96,430
Innovative Educational Program Strategies (Title V)	84.298	FY08	2,570
Grants for Assessments and Related Activities	84.369	FY08	13,643
Special Education - Grants to States (IDEA Part B)	84.027	FY08	95,097
Vocational Education - Basic Grants to States	84.048	FY08	<u>12,112</u>
Total			<u>\$ 622,343</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Waverly-Shell Rock Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
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- I.R.S. Representation
- Monthly/Quarterly Write-Up
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- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Waverly-Shell Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Waverly-Shell Rock Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency as well as a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Waverly-Shell Rock Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Waverly-Shell Rock Community School District's financial statements that is more than inconsequential will not be prevented or detected by Waverly-Shell Rock Community School District's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Waverly-Shell Rock Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, item 08-II-A, is a material weakness.

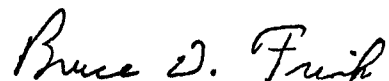
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waverly-Shell Rock Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Waverly-Shell Rock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 25, 2009

BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

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- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

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- Over 30 years of Expertise and Experience
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To the Board of Education of
Waverly-Shell Rock Community School District:

Compliance

We have audited the compliance of Waverly-Shell Rock Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Waverly-Shell Rock Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Waverly-Shell Rock Community School District's management. Our responsibility is to express an opinion on Waverly-Shell Rock Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waverly-Shell Rock Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Waverly-Shell Rock Community School District's compliance with those requirements.

In our opinion Waverly-Shell Rock Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Waverly-Shell Rock Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over compliance.

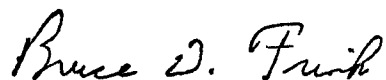
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be material weakness.

Waverly-Shell Rock Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Waverly-Shell Rock Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 25, 2009

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.012 - Title I Neglected and Delinquent ChildrenSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Waverly-Shell Rock Community School District did not qualify as a low-risk auditee.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number: 84.010 Title I Grants to Local Education Agencies
Agency Numbers: 6840-G-08,
Federal Award Year: 2008
US Department of Education
Passed through Iowa Department of Education

CFDA Number: 84.012 Title I Neglected and Delinquent
Agency Numbers: 6840-D-08
Federal Award Year: 2008
US Department of Education
Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program
10.555 National School Lunch Program
Federal Award Year: 2008
US Department of Agriculture
Passed through Iowa Department of Education

08-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

- 08-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.
- 08-IV-B Certified Budget - Expenditures for the year ended June 30, 2008, exceeded the amended certified budget amounts in the support services function.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- 08-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 08-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 08-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 08-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 08-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 08-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 08-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 08-IV-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- 08-IV-K Revenue Bonds - The District has not established the Reserve Account required by the revenue bond resolution. In addition, the required monthly transfers from the Revenue Account to the Sinking Account were not made by the District.
- Recommendation - The District should establish the Reserve Account in the amount required and make the monthly transfers to the Sinking Account as required by the bond resolution.
- Response - We will establish a Reserve Account and begin making transfers to a Sinking Account
- Conclusion - Response accepted.